2455 Paces Ferry Rd. N.W. • Financial Services • Atlanta, GA 30339-4024

November 20, 2009

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Attn: Docket Number R-1370

Re: Clarifications of Proposed Changes to Regulation Z in Compliance of the Credit CARD Act

Dear Ms. Johnson:

This letter is submitted on behalf of The Home Depot, Inc. in response to the clarifications and changes made to Regulation Z by the Board of Governors of the Federal Reserve System (the "Board") which go into effect on February 22, 2010 in compliance with the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act"). While commenting on the Board's regulatory changes, we feel compelled to comment on the new minimum payment requirement for deferred interest promotions mandated by the Office of the Comptroller of the Currency (the "OCC") that is also scheduled to go into effect on February 22, 2010, insomuch as these requirements will impact the implementation of the CARD Act requirements. Given that the OCC's new minimum payment requirement was released subsequent to the Board's clarifications, we suspect that the Board did not contemplate this change when providing their commentary, and, as a result, The Home Depot anticipates some unintentional confusion.

As background, The Home Depot is committed to providing excellent service and value to its customers. As we have communicated in previous letters to the Board, we view our private label credit and deferred interest programs as an integral part of that value because they provide financing and payment options to consumers by offering Home Depot customers flexibility for both planned projects and unplanned repairs, especially in times of emergency and natural disasters. As such, The Home Depot is proud to have made available to its customers a six-month deferred interest promotion every day for more than ten years. We are confident that our twenty million existing cardholders both understand and benefit from our deferred interest promotions based on their repeated use and high customer satisfaction. As we have noted in previous letters, in 2008 over 70% of our customers paid-off their deferred interest promotions before they expired without being required to make minimum monthly payments during the promotion period. Based on these statistics, The Home Depot does not consider repayment of promotional balances to be an issue and does not subscribe to the belief that the addition of minimum monthly payments will significantly increase payment rates.

Therefore, as outlined below, The Home Depot does not support the new OCC minimum payment requirement and we are further alarmed that this requirement is being advanced without consideration of other regulatory changes. Under the assumption that the OCC requirement cannot be delayed, **The Home Depot strongly recommends that the Board considers the impact of a minimum payment requirement and provide adequate guidance for disclosures, billing statements and payment allocations to minimize the harm to consumers.** There are two specific areas of concern:

Regulation Z, § 226.53, Allocation of Payments in Excess of Minimum Due, and
Regulation Z, § 226.7(b)(12), Format Changes to the Periodic Statements
Historically, consumers have avoided paying finance charges by paying off their revolving balances in full. The new OCC mandate for a minimum payment on deferred interest promotions disrupts this commonly held belief because part of the consumer's payment will be applied towards the minimum payment required on the promotional balance. The result will be more consumers being charged more interest any time that he/she has both a promotional balance and a revolving balance. The attached Exhibit A illustrates this problem. After reviewing his/her statement and only seeing the minimum payment due, a consumer may believe that he/she can avoid being charged interest by simply paying off the revolving balance in full, because the statement does not communicate how much in total must be paid that month to avoid finance charges. None of the current Model Forms for periodic statements proposed by the Board disclose what the consumer must pay in total that month in order to avoid any finance charges. In the interest of consumer transparency and in an effort to minimize the amount of interest a consumer will pay, The Home Depot encourages the Board to add a new field to the payment remittance portion of the monthly billing statement labeled "Payment Required to Avoid Finance Charges Next

Month," which would include the total revolving balance and any of the promotional balance that would need to be paid in order to avoid any finance charges in the next payment cycle.

Additionally, **The Home Depot would like to voice its strong support for the clarifications made by the Board on September 29, 2009 as set forth below:**

Regulation Z, § 226.16(h)(3), Stating the Deferred Interest Period
The Home Depot strongly supports the requirement to clearly and conspicuously disclose "if paid in full" in immediate proximity to statements of "no interest." We believe that this more clearly communicates the repayment requirements for the consumer in order to help them avoid being charged any accrued interest.

Regulation Z, § 226.53, Allocation of Payments in Excess of Minimum Due
The Home Depot supports the Board's proposed payment allocation methodology as it does offer the most benefit to most consumers in trying to minimize the amount of interest a consumer will have to pay; however, we do foresee some instances where these new requirements will not have the desired effect. In some instances during the final two cycles of a deferred interest promotion, a consumer could be negatively impacted by having all of their payments in excess of minimum due applied to their promotional balance. Exhibit B illustrates this problem. In order to assist those few consumers who could be negatively impacted by this requirement, we would encourage the Board to require that banks honor any proactive request from a cardholder to allocate payments in excess of minimum due to their account as the cardholder desires.

Regulation Z, § 226.7(b)(12), Format Changes to Monthly Statement
The Home Depot supports the Board's efforts to make statements easier to understand for consumers so that they can minimize the amount of interest they are required to pay. To that end we encourage the Board to add one additional field to the payment remittance portion of the monthly billing statement. This new field would be labeled "Payment Required to Avoid Finance Charges Next Month," and would include the revolving balance and any of the promotional balance that must be paid in order to avoid finance charges in the next payment cycle. If cardholders are unable to designate how their payments in excess of minimum payments will be applied, this field becomes critical to their understanding of what payments must be made in order to avoid any potential interest charges.

Finally, regarding the new requirement from the third, and final, phase of the CARD Act that late fees be both reasonable and proportionate, The Home Depot encourages the Board to consider the idea that late fees should have a relation to the outstanding balance on an account. We also suggest that the threshold for determining if a fee is reasonable or not be set at $40, with any fee in excess of $40 deemed as unreasonable.

We applaud your balanced efforts in this significant task and we have already begun with our banking partner, Citibank, to ensure complete compliance by February 22, 2010. We encourage you to act quickly to clarify the rules for the third phase of the CARD Act so that we can proceed expeditiously with their implementation.

Thank you for the opportunity to provide these comments.

Sincerely,

Dwaine Kimmet
Vice President, Home Depot Financial Services

Enclosures (2)

EXHIBIT A

A significant portion of The Home Depot's cardholders pay their revolving balances in full every month before any interest is charged. Consider the following example where a customer with a $0 balance makes two purchases in the same month: one is a $1,000 purchase which qualifies for a deferred interest promotion, and the second is a $100 purchase which does not qualify for a deferred interest promotion and goes straight to revolve. The minimum payment is calculated by 1% of the balance, and since this is the first month after the purchase, no interest is being charged because the purchases fall within the 30 day grace period.

Calculation of Minimum Payment for Month 1		
Purchase Type	**Purchase Amount**	**Minimum Payment**
Deferred Interest Promotion Due in 6 Months	$1,000.00	$10.00
Regular Purchase Goes Straight to Revolving Balance	$100.00	$1.00
No Interest Charged Within 30 day Grace Period	$0.00	$0.00
Total	$1,100.00	$11.00

Assume the customer makes a $100 payment on their account with the intention of paying off the revolving balance and avoiding interest charges. $11 of the $100 payment would be applied towards the minimum payment. This minimum payment would be allocated so that $10 would be applied to the promotional balance and $1 would be applied to the revolving balance. Then the remaining payment in excess of minimum due, $89, would be allocated against the revolving balance. Therefore, only $90 of the customer's $100 payment would be allocated towards their revolving balance.

Payment Allocation for Month 1				
Balance Type	**Starting Balance**	**Allocation to Minimum Payment**	**Allocation to Excess of Minimum Payment**	**Ending Balance**
Promotional Balances	$1,000.00	($10.00)	$0.00	$990.00
Revolving Balance	$100.00	($1.00)	($89.00)	$10.00
Interest Charged (assume APR=24%, min $2)	$0.00	$0.00	$0.00	$0.00
Total	$1,100.00	($11.00)	($89.00)	$1,000.00

This means the customer will start Month 2 with a $10 revolving balance, and he/she will be charged interest on that balance immediately.

Calculation of Minimum Payment for Month 2		
Balance Type	**Starting Balance**	**Minimum Payment**
Deferred Interest Promotion Due in 5 Months	$990.00	$9.90
Revolving Balance	$10.00	$0.10
Interest Charged (assume APR=24%, min $2)	$2.00	$2.00
Total	$1,002.00	$12.00

For customers who typically pay their revolving balance in full every month before any interest charges, the new minimum payment requirement will require them to pay an additional $2 interest rather than paying off their revolving balance.

EXHIBIT B

Move ahead to the final two months of the deferred interest promotion. Assume that the customer from Exhibit A has made his/her minimum payments for months two, three and four, but makes an additional purchase of $100 in the fifth month. Again, the minimum payment is calculated as 1% of the balance. Since this is the first month after the new purchase, no interest is being charged because of the 30 day grace period, and the deferred interest balance would not be charged any interest because it is still within the promotional window.

Calculation of Minimum Payment for Month 5		
Purchase Type	Starting Balance	Minimum Payment
Deferred Interest Promotion Due in 2 Months	$884.05	$8.84
Regular Purchase Goes Straight to Revolving Balance	$100.00	$1.00
No Interest Charged Within 30 day Grace Period	$0.00	$0.00
Total	$984.05	$9.84

The customer then pays $500 with the intention of paying off the recent purchase and having the balance of the payment applied to the promotional balance. The new rules would require that 100% of the payment in excess of minimum due would be applied to the expiring promo before it would be applied to the revolving balance. $9.84 of the $500 is applied against the minimum payment and $490.16 would be applied against the promotional balance.

Payment Allocation for Month 5				
Balance Type	Starting Balance	Allocation to Minimum Payment	Allocation to Excess of Minimum Payment	Ending Balance
Promotional Balances	$884.05	($8.84)	($490.16)	$385.05
Revolving Balance	$100.00	($1.00)	$0.00	$99.00
Interest Charged (assume APR=24%, min $2)	$0.00	$0.00	$0.00	$0.00
Total	$984.05	($9.84)	($490.16)	$484.05

Of the $9.84 allocated against the minimum payment, only $1.00 would be applied against the revolving balance meaning that the customer would have a revolving balance of $99.00 at the start of the following month and would instantly be charged interest.

Calculation of Minimum Payment for Month 6		
Balance Type	Starting Balance	Minimum Payment
Deferred Interest Promotion Due This Month	$385.05	$3.85
Revolving Balance	$99.00	$0.99
Interest Charged (assume APR=24%, min $2)	$2.00	$2.00
Total	$486.05	$6.84

Again, the new minimum payment requirement harms the customer because he/she would be forced to pay an additional $2 interest in month six because none of his/her payment in month five was allocated against the revolving balance.